

FuelCell Energy, Inc.
225 South Lake Avenue, Suite 300
Pasadena, CA 91101

February 5, 2002

Ms. Laura R. Doll
Chief Executive Officer
California Power Authority
901 P Street, Suite 142A
Sacramento, CA 95814

Re: Comments on Energy Resource Investment Plan

Dear Ms. Doll:

On behalf of FuelCell Energy, I would like to congratulate and commend you and your staff for the vision and leadership the California Power Authority has shown in the Resource Investment Plan you have submitted for review. The "Clean Growth" Investment Plan outlined by the Power Authority enables the creation of a clean and highly efficient Distributed Generation (DG) infrastructure in California that will complement the existing central generating plants and distribution infrastructure.

The benefits of the Power Authority's "Clean Growth" investment plan over a more traditional approach are many, and some of them are well articulated in the plan itself. California has consistently led the nation in adopting legislation and programs to protect our environment and the "Clean Growth" Resource Investment Plan outlined by the Authority would result in cleaner and healthier air for Californians. FuelCell Energy's Direct FuelCell[®] technology, which produces virtually no NO_x and SO_x emissions, constitutes a viable alternative for the Power Authority to consider as part of its plan to deliver a cleaner power generation infrastructure for California.

The Authority's focus on highly efficient distributed generation technologies translates into two additional benefits for the State: highly efficient technologies will reduce the overall consumption and dependence on natural gas and other fossil fuels, and efficient technologies also reduce CO₂ emissions, thus reducing "green house" effect in our atmosphere. To that end, FuelCell Energy's Direct FuelCell[®] (DFC[®]) technology, with an electrical efficiency approaching 50%, consumes 20% less fuel and produces 25% less CO₂ emissions than other fuel cell technologies currently available. The DFC[®] power

plants provide the Power Authority with a highly efficient distributed generation option for its portfolio.

Perhaps the biggest benefit of all for the State of California from the Power Authority's "Clean-growth" Resource Investment Plan may be enabling the State of California to become the home and the hub of the Distributed Generation industry in the US and even worldwide - an industry that is expected to grow significantly in the next 10 years. Already home for several Photovoltaic and a leading MicroTurbine manufacturer, the Power Authority's distributed generation deployment initiatives will result in increased investment from distributed generation manufacturers in California, both in terms of manufacturing facilities to support the market needs as well as in building workforce capabilities to support manufacturing, delivering, installing, commissioning and maintaining DG resources. The development of a fuel cell and distributed generation infrastructure in California will diversify the state's economic base at a time when economic recovery is vital, as well as diversifying the state's power generation portfolio. This means jobs, economic development, economic stability and security for all Californians.

FuelCell Energy has committed to build a final assembly and conditioning facility in California to support the planned purchases of the Power Authority that will result in a direct capital investment of \$30 million and the hiring of an estimated 200 employees to fill management, administrative, skilled technical, and semi-skilled positions. In addition, FuelCell Energy's distribution partners, including Caterpillar, Chevron and CMS Viron Energy Services, who already have a significant presence in California, will likely increase their workforce and presence in the state substantially if successful in securing a significant part of the planned fuel cell purchases by the Authority.

FuelCell Energy fully supports the California Power Authority's "Clean-growth" Resource Investment Plan and looks forward to working with the Authority to provide the State of California with highly efficient and clean Direct FuelCell® technology based energy solutions in the near future.

Respectfully submitted,

Stephen R. Torres
Vice-President, Western Region
FuelCell Energy